CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2003

THE UNIVERSITY OF WINNIPEG

WINNIPEG, MANITOBA, CANADA

THE UNIVERSITY OF WINNIPEG

CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2003

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The UNIVERSITY of WINNIPEG

Report on the Consolidated Financial Statements

Report of the Vice-President Finance & Administration

The University of Winnipeg

The University of Winnipeg's consolidated financial statements contain the financial results of the University of Winnipeg's operations and the operations of the University of Winnipeg Educational Housing Corporation. The University's operations include the University undergraduate and graduate credit programs, Continuing Education Division, the Collegiate, Campus Services, Academic Enterprises, sponsored research & designated funds, and trust & endowment funds.

Overview of the Fiscal Year

The fiscal year ending March 31, 2003, has proven to be a turning point in terms of the financial position of the University. Although the year brought many financial challenges, with a significant team effort, the University has been able to eradicate its accumulated operating deficit. Building on the hard work and initiatives begun in 2001-2002, the University consolidated its financial position in 2002-2003 and for the first time in many years has achieved an accumulated operating surplus. The success of both administrative and academic areas, in managing operating budgets and keeping operating expenditures within budget, has to be acknowledged.

Whilst these results represent a significant turnaround in the University's financial results, it has also to be acknowledged that there remain significant areas within the University, in terms of infrastructure and equipment that still require attention. These are issues which the University will tackle in the coming years.

The improvement in the University's financial situation was evidenced by a net change in unrestricted net assets of $1.1 million (Statement III) including:

a) Internally funded transfers in respect of capital asset additions and amortization; and

b) Non-recurring transfers of internally restricted net assets, including the write off of the Pension Contribution Credit.

The above accomplishments were realized primarily through the University's success in retaining a significant portion of the incremental enrolment related revenues, combined with prudent management of the expenses of the University.

The Administration prepared a balanced budget for fiscal 2003-2004 that was approved by the Board of Regents in June 2003. The budget reflects the operating plan for the University in the current year and was achieved primarily through a balance of building back part of the operating reductions experienced in 2001-2002; addressing some of the staffing needs brought about by the increase in enrolments in 2002-2003 and allowing for a further expected increase in enrolments during 2003-2004.

The University continues to face financial challenges in 2003-2004 and beyond and must remain diligent and prudent in the management of the institution's resources. During 2002-2003 the University introduced a revised financial monitoring approach which has worked with some relative success. In 2003-2004 further development is being undertaken as the process is refined. Also during 2002-2003 the University embarked upon a Strategic Planning process, including the development, at the core, of a comprehensive Academic Plan. The details of this planning process will come to fruition during 2003-2004.

The University resolved some of the funding issues surrounding the pension plan. Discussions were held with all pension plan stakeholder groups during 2002 -2003, with the Board of Regents approving the resolutions in March 2003.

During the year, at the University's request, dialogue took place with Government in order to clarify and create a level of understanding regarding some of the financial issues that the University has faced over the past few years. This dialogue allowed the University to provide information to Government regarding both the University's financial situation and other relevant issues. The University in response to an earlier request by Government provided a financial "Work-Out" plan to the Council on Post Secondary Education in March 2003.

Also in March 2003, after many months of preparation and development, including presentations to Government, the University's Board of Regents approved the establishment and capitalization of The University of Winnipeg Foundation. The role of the Foundation is to assist the University in the advancement of its charitable activities, including the raising of private revenue for University and Collegiate capital projects.

The significant challenges, for the University, that are present in the immediate term include:

a) The need to successfully address the implications of the decline in the endowment portfolio resulting from the poor investment markets experienced over the past 2 years.

b) Resolution of the funding issues surrounding the pension plan particularly with regard to the effect of provincial pension regulations relating to pension solvency and the related financial impact on the University's financial position. This issue stems from a strong possibility of a plan deficit at the time of the next actuarial valuation, scheduled for December 31 2004.

c) The University faces particular challenges, as do many institutions, regarding the need to successfully accommodate additional students at a time of increasing enrolments and increasing retention levels. These increases bring many challenges in terms of, for example, ensuring appropriate space and teaching staff whilst continuing to provide the highest standards of educational excellence.

The University has made excellent progress in stabilizing its financial condition during the past year. The challenge remains for the University to maintain the progress made during the past 2 years and to build onto that success.

Operations Summary

The University's consolidated statement of operations presents the results of the fiscal year ending March 31, 2003. During the year, the University incurred a surplus on operations of $545,000 (based on GAAP accounting). This is before the inclusion of an extraordinary expense in the form of a write down of the Pension Contribution Credit of $8.9 million. This extraordinary expense is non recurring in nature and is in compliance with GAAP.

The generation of an operating surplus of $545,000 includes the full provision of special payments arising from the agreement on the Pension Plan issues reached in March 2003.

Revenue increased to $69.8 million during the year. The baseline grant from the Council on Post Secondary Education increased by 2.75%. Student tuition fees increased to $21.9 million in the fiscal year and reflect increased student enrolment of approximately 13% in university credit programs, new programs and increased enrolment in Distance Learning programs and an increase in enrolment in English language programs at Continuing Education Division. Other revenues also increased due to an increase in student housing revenues, sponsored research revenues and departmental revenues.

During the year, operating expense increased to $69.2 million. The increase in salaries reflects the annual general salary increase, following the negotiation of new contracts by both UWFA and AESES during 2002-2003, individual salary increases for eligible employees, and changes in the staff complement. Staff benefits increased by $1.9 million to $5.5 million as a result of the reinstatement of the University's matching pension contributions effective April 1, 2003 and a provision for costs arising from the settlement of pension funding issues in March 2003 ($720,000). The balance of the settlement costs ($480,000) has been provided for in salaries expense. Other factors that lead to an increase in total expense included an increase in supplies and services expense and an increase in scholarships & awards.

Summary of Financial Position

The Consolidated Statement of Financial Position presents the University's financial position for the year ending March 31, 2003.

The University's cash position improved significantly from $7.4 million in March 2002 to $10.3 million in March 2003. This reflects an increase in net operating cash of $5.2 million. These funds were offset by cash used for investing activities amounting to $1.0 million and financing activities ($1.2 million) resulting in a net increase in cash of $2.9 million.

The University resolved a number of pension issues as detailed in Notes to the Consolidated Financial Statements 16, 17 and 21. The Pension Contribution Credit was written down to zero at March 31, 2003 ($8.9 million - March 31 2003) as a result of the Agreement between the University and the Pension Plan stakeholders. The offset reduction resulted in a similar reduction of internally restricted net assets to $292,000 as shown in Statement III.

The Investment for Campus Development ($14.4 million) includes $383,000 of investment income that has been capitalized and added to the fund as at March 31 2003.

The value of long term investments at market (fair value) is $16.3 million, reflecting a $4.2 million decline from the previous year ending March 31 2002. The decline has been a result of poor investment markets over the past 2 years. In March 2003, the decision to change investment managers resulted in the sale of the investment portfolio and the realization of net investment losses in the portfolio, accounting for virtually all of the $4.2 million net loss on sale of securities recorded in the fiscal year. A similar reduction in Net assets - endowments resulted in this net asset category reducing to $16.9 million at March 31 2003.

The University's net asset position declined during the year to $27.9 million. Statement III outlines the change for the year of the various net asset categories.

During the year, The University adopted the new accounting standard for employee future benefits as set forth in Section 3461 of the Canadian Institute of Chartered Accountants (CICA) Handbook. The effect of this change is to record benefit expense on an actuarially determined basis. The University has further enhanced it's financial reporting in the audited financial statements to include the presentation of cash flow information using the direct method as recommended in section 4400 of the CICA Handbook.

The University's objective is to continue to attract students from a wide, diverse background and location through excellent academic programming, enhanced services and facilities and improved technologies. The University's prime assets are its faculty and staff, Board of Regents, alumni and volunteers who represent the University in the Community.

Stephen A. Willetts, CPFA
Vice-President (Finance & Administration)
The University of Winnipeg

The UNIVERSITY of WINNIPEG

UNIVERSITY OF WINNIPEG

MANAGEMENT REPORT

The accompanying consolidated financial statements are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles. These accounting principles have been applied on a basis consistent with the prior year. In management's opinion, the consolidated financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data. Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and to ensure the assets of the University are properly safeguarded.

The Board of Regents has reviewed and approved these consolidated financial statements.

On Behalf of Management

Stephen Willetts, CPFA
Vice-President (Finance & Administration)

B. Douglas Prophet, CA
Executive Director, Financial Services

Winnipeg, Manitoba
June 7, 2003

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITOR'S REPORT

To the Legislative Assembly of Manitoba
To the Board of Regents of The University of Winnipeg

We have audited the consolidated statement of financial position of The University of Winnipeg as at March 31, 2003 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These consolidated financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Winnipeg, Manitoba
June 4, 2003

Jon W. Singleton, CA•CISA
Auditor General

THE UNIVERSITY OF WINNIPEG
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at March 31, 2003
(with comparative figures for 2002)

Statement I

ASSETS

	2003 $000	2002 $000
Current Assets:		
Cash and Short Term Investments (Note 4)	$10,312	$7,377
Accounts Receivable (Note 5)	3,374	2,546
Prepaid Expenses	592	377
Inventory	775	710
	15,053	11,010
Long Term Receivables	50	150
Investment for Campus Development (Note 6)	14,383	14,000
Pension Contribution Credit (Note 17)	0	8,898
Long Term Investments (Note 7)	16,214	20,090
Capital Assets (Note 8)	43,042	44,293
	$88,742	$98,441

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts Payable & Accrued Liabilities	$ 5,756	$ 4,501
Deferred Revenue	1,310	1,305
Deferred Contributions (Note 9)	5,326	4,537
Unfunded Staff Benefits (Note 10)	1,079	1,033
	13,471	11,376
Long Term Liabilities (Note 12)	1,584	1,319
Deferred Capital Contributions (Note 13)	45,773	45,869
Net Assets:		
Unrestricted Net Assets	59	(1,066)
Internally Restricted Net Assets (Note 14)	292	9,045
Endowments (Note 15)	16,889	20,499
Investment in Capital Assets	10,674	11,399
	27,914	39,877
	$88,742	$98,441

Commitments (Notes 19 & 20)
Contingencies (Note 21)

Approved by the Board of Regents

Richard Graydon
Chair, Board of Regents

Sherman Kreiner
Vice-Chair, Finance Committee

See accompanying notes to the consolidated financial statements.

THE UNIVERSITY OF WINNIPEG
CONSOLIDATED STATEMENT OF OPERATIONS
For the Year Ended March 31, 2003
(with comparative figures for 2002)

Statement II

	2003 $000	2002 $000
REVENUE		
Government Grants:		
Council on Post Secondary Education	$34,288	$33,512
Other Province of Manitoba	1,333	1,288
Government of Canada	1,069	762
Student Academic Fees	21,921	19,011
Gifts, Grants & Bequests	455	172
Investment Income	1,371	2,319
Sales of Services & Products	3,619	3,229
Other Revenues	4,494	3,525
Amortization of Deferred Capital Contributions	1,238	1,108
	69,788	64,926
EXPENSE		
Salaries	40,295	37,705
Staff Benefits	5,549	3,619
Supplies, Services & Other Expenses	9,947	9,256
Cost of Sales	2,438	2,156
Building, Utility & Related Expenses	4,227	5,229
Provincial & Municipal Taxes	2,511	3,017
Scholarships & Awards	1,711	1,518
Amortization of Capital Assets	2,565	2,748
	69,243	65,248
EXCESS OF REVENUE OVER EXPENSES BEFORE EXTRAORDINARY ITEM	$545	($322)
EXTRAORDINARY ITEM		
Write Off of Pension Contribution Credit (Notes 17 & 22)	8,898	0
EXCESS OF EXPENSES OVER REVENUE AFTER EXTRAORDINARY ITEM	($8,353)	($322)

See accompanying notes to the consolidated financial statements.

THE UNIVERSITY OF WINNIPEG
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
For the Year Ended March 31, 2003
(with comparative figures for 2002)

Statement III

	2003					2002
	UNRESTRICTED NET ASSETS $000	INTERNALLY RESTRICTED NET ASSETS (Note 14) $000	ENDOWMENTS (Note 15) $000	INVESTMENT IN CAPITAL ASSETS $000	TOTAL $000	TOTAL $000
BALANCE, BEGINNING OF YEAR	$(1,066)	$9,045	$20,499	$11,399	$39,877	$39,344
Excess (Expense) Revenue	(8,353)				(8,353)	(322)
Direct Increases (Decreases):						
Endowment Contributions			880		880	979
Endowed Investment Net Realized Losses (Note 7)			(4,221)		(4,221)	0
Unspent Investment Earnings			69		69	91
Capital Assets Additions - Gifts in Kind					0	67
Draw on Cumulative Unspent Invest. Earnings			(338)		(338)	(262)
Transfers:						
Internally Funded:						
Capital Asset Additions	(741)			741	0	0
Amortization of Capital Assets	1,430			(1,430)	0	0
Loss on Disposal of Capital Assets	36			(36)	0	(20)
Internally Restricted Net Assets	(145)	145			0	0
Non Recurring Transfers:						
Write Off of Pension Contribution Credit (Notes 17 & 22)	8,898	(8,898)			0	0
NET CHANGE FOR THE YEAR	1,125	(8,753)	(3,610)	(725)	(11,963)	533
BALANCE, END OF YEAR	$59	$292	$16,889	$10,674	$27,914	$39,877

See accompanying notes to the consolidated financial statements.

THE UNIVERSITY OF WINNIPEG
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended March 31, 2003
(with comparative figures for 2002)

Statement IV

	2003 $000	2002 $000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from:		
Government Grants	$36,124	$35,646
Student Academic Fees	21,729	19,256
Gifts, Grants & Bequests	1,638	1,073
Investment Income	336	1,776
Sales of Services & Products	3,610	3,236
Other Revenues	4,640	3,783
Cash Paid for:		
Salaries & Benefits	(44,336)	(39,654)
Supplies, Services & Other Expenses	(9,977)	(10,472)
Cost of Sales	(2,503)	(2,306)
Building, Utility & Related Expenses	(4,358)	(5,314)
Provincial & Municipal Taxes	(2,551)	(3,054)
Scholarships & Awards	(1,711)	(1,518)
	2,641	2,452
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment Purchases for Campus Development	(383)	0
Proceeds on Sale of Long Term Investments	800	824
Purchase of Long Term Investments	(1,128)	(2,679)
Cash Received on Sale of Capital Assets	168	0
Contributions of Assets	37	237
Contributed Assets Put in Service	(37)	(237)
Cash Purchase of Capital Asset	(1,457)	(3,292)
	(2,000)	(5,147)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Investment Income on Campus Development Plan	383	0
Investment Income on Endowments	591	418
Bank Repayments	0	(1,373)
Long Term Debt Repayments on Mortgages	(57)	(27)
Mortgage Proceeds	0	711
Cash Contributions Received for Endowment	618	780
Cash Received for Deferred Capital Contributions	759	1,704
	2,294	2,213
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,935	(482)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	7,377	7,859
CASH AND CASH EQUIVALENTS, END OF YEAR	$10,312	$7,377
Cash and Cash Equivalents Consists of:		
Cash in Bank	2,135	3,566
Short Term Investments	8,177	3,811
	$10,312	$7,377

See accompanying notes to the consolidated financial statements.

1. Authority and Purpose

The University of Winnipeg operates under the authority of the University of Winnipeg Act of the Province of Manitoba. The primary role of the University is to provide post secondary education and research in the humanities, sciences and social sciences. The University also operates the Collegiate, an independent high school and a number of other education related activities. The University is a registered charity and is exempt from the payment of income taxes.

2. Summary of Significant Accounting Policies and Reporting Practices

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

A) Contributions

The University has chosen to use the deferral method of accounting for contributions, one preferred by the Canadian Association of University Business Officers (CAUBO). Under the deferral method of accounting for contributions, restricted contributions related to expenses of future periods are deferred and recognized as revenue in the period in which the related expenses are incurred. Restricted contributions are stipulations imposed that specify how resources must be used. External restrictions are imposed from outside the organization, usually by the contributor of the resources. Restrictions on contributions may only be externally imposed.

B) Revenue Recognition

Operating grants are recognized as revenue in the period received or receivable. Revenues received for tuition fees and sales of goods and services are recognized in the period in which the goods are received or the services rendered or substantially rendered.

Deferred contributions are externally restricted non-capital and non-endowment contributions which are deferred and are recognized as revenue in the period in which the related expenses are incurred.

Externally restricted contributions for the acquisitions of capital assets having limited lives are recorded as deferred capital contributions in the period in which they are received. Amortization of deferred capital contributions is recognized as earned revenue in the periods in which the related amortization expense of the funded capital asset is recorded.

Endowment contributions are recorded as direct increases in net assets in the period in which they are received.

C) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, balances with banks and highly liquid temporary money market instruments with original maturities of one year or less. Bank borrowings are considered to be financing activities.

D) Investments

Investments are recorded at cost. When there has been a loss in the value of a long term investment, that is other than a temporary decline, the investment is written down to recognize the loss.

E) Inventories

Bookstore and Printing inventories are valued at the lower of cost or net realizable value.

F) Capital Assets and Collections

Capital assets and collections purchased by the University are recorded at cost. Donated assets are recorded at estimated fair market value on the date received. Land, collections of rare books and works of art are not amortized. Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings and Additions	60 years
Lease Hold Improvements	Term of Lease
Library Acquisitions	10 years
Furnishings & Equipment	10 years
Major System Computer Software	10 years
Computer Equipment & Software	5 years
Vehicles	5 years

G) Pension Plan

The University contributes to The University of Winnipeg Pension Plan. The Plan is comprised of a defined benefit segment and a defined contribution segment.

The University of Winnipeg Pension Plan assets, liabilities and changes in net assets are reported in the Plan's financial statements. The assets of the Plan are held in trust by independent custodians and are not recorded in the accounts of the University. The Auditor General of Manitoba audits the Plan's financial statements.

Recorded in the University's statements is the actuarially determined cost of maintaining the Plan. The accumulated difference between this cost and the University's funding contribution is reflected in the University's financial statements as either an accrued benefit asset or liability. The corridor approach is used to record actuarial gains and losses for the pension plan. Under this approach, the annual actuarial gains and losses are aggregated and, if that amount exceeds 10% of the greater of plan assets or liabilities, the excess amount is amortized over the expected average remaining service life of the covered employees.

H) Endowment Investment Income Capitalization

The University capitalizes investment income on endowment funds in excess of the amount required for annual distribution. The annual distribution of income is based on 5% of the 5 year rolling average market value of the endowment fund.

I) Financial Instruments

Financial instruments include receivables, investments, bank overdraft, payables and accrued liabilities and long-term debt.

d) Fair Value of Financial Instruments

The fair value of financial instruments are assumed to approximate carrying values, unless otherwise noted.

e) Credit Risk

The University is subject to credit risk through receivables. Receivables are with numerous organizations and individuals which reduces the concentration of credit risk. Reviews are made of the credit worthiness of accounts and reserves established as required.

f) Interest Rate and Foreign Exchange Risk

Interest rates, maturities and security affecting the interest rate risk of the University's financial assets and liabilities have been disclosed in Notes 4, 7, 11 and 12.

The University is subject to foreign exchange risk because a portion of its financial instruments are denominated in foreign currencies.

The financial risk is the risk to the University's earnings that arises from fluctuations in interest rates and foreign exchange rates and the degree of volatility of these rates. The University does not use derivative instruments to reduce its exposure to interest rate and foreign exchange risk.

J) Use of Estimates

In preparing the University's consolidated financial statements, management is required to make estimates and assumptions that reflect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

K) Principles of Consolidation

The consolidated financial statements of the University include the accounts of the University of Winnipeg Education Housing Corporation (UWEHC), a wholly owned entity. UWEHC secures and provides affordable residential accommodation for the benefit of persons enrolled at The University of Winnipeg.

3. Change in Accounting Policy

Employee Future Benefits

Effective April 1, 2002 the University adopted the new method of accounting for employee future benefits required by the Canadian Institute of Chartered Accountants on a prospective basis, whereby a net transitional asset of $5,924,000 at April 1, 2002, as determined by the Plan's actuary, will be amortized over the expected average remaining service lifetime of the plan's active membership.

Under the new method, the cost of pension benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimates of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs. Future plan obligations are discounted using current market interest rates. Previously, costs for pension benefits were expensed as incurred and future plan obligations were discounted using management's best estimate of the long-term rate of return on plan assets.

4. Cash and Short Term Investments

Cash and short term investments consist of current operating and trust funds:

	March 31, 2003			March 31, 2002
	Cash $000	Short Term Investments $000	Total $000	Total $000
Operating Funds	$500	$4,325	$4,825	$3,030
Sponsored Research & Designated Funds	265	1,956	2,221	2,065
	765	6,281	7,046	5,095
Trust Fund	1,370	1,896	3,266	2,282
	$2,135	$8,177	$10,312	$7,377

Cash and short term investments are comprised of:

Cash	$2,135	$3,566
Provincial Instruments	4,273	3,316
Bankers Acceptance	2,904	495
Government of Canada Treasury Bills	1,000	0
	$10,312	$7,377

5. Accounts Receivable

The major components of Accounts Receivable are:

	2003 $000	2002 $000
Province of Manitoba Grant - Collegiate	$366	$301
Research Receivable	316	285
Investment Income Receivable - Operating	182	59
Investment Income Receivable - Trust & Endowment	129	146
Student Fees	482	345
Menno Simons College	213	425
Donations Receivable	175	150
COPSE Grant Receivable	491	0
CCRA - GST Net Rebates Receivable	198	112
Other Receivables	822	723
	$3,374	$2,546

6. Investment for Campus Development

The Investment for Campus Development consists of a contribution in March 2001 by the Provincial Government for planned future development. The funds are invested in short term Bankers Acceptances. Investment earnings of $383,000 have been capitalized and included in deferred capital contributions for future use.

7. Long Term Investments

Long term investments are comprised of endowment funds:

	March 31, 2003		March 31, 2002	
	Fair Value $000	Cost $000	Fair Value $000	Cost $000
Mennonite Studies				
Bonds and Debentures				
Government of Canada	$655	$600	$633	$600
Pooled Funds				
Bonds and Debentures	5,890	5,909	6,140	6,164
Canadian Equities	4,148	4,121	5,205	6,301
U.S. & International Equities	4,625	4,587	6,860	6,782
Cash & Short Term	947	947	193	193
Property & Investment Shares	50	50	50	50
	15,660	15,614	18,448	19,490
	$16,315	$16,214	$19,081	$20,090

Fair value, as represented above, was derived from the market value of investments. During 2002-2003 the University changed the investment manager for the endowment fund. Net realized losses amounting to $4,221,000 were incurred, primarily, as a result of the sale of pooled funds during the transition to a new investment manager.

8. Capital Assets

	Cost $000	2003 Accumulated Amortization $000	Net Book Value $000	2002 Net Book Value $000
Land	$1,746	$0	$1,746	$1,756
Buildings, Additions and Improvements	48,344	15,089	33,255	34,103
Library Acquisitions	10,821	9,087	1,734	1,726
Furnishings and Equipment	21,754	16,548	5,206	5,620
Collections	1,101	0	1,101	1,088
	$83,766	$40,724	$43,042	$44,293

Collections include Art Work & Rare Books recorded at fair value derived by independent appraisal at the time of acquisition or donation. The insured value of capital assets is $288.6 million.

9. Deferred Contributions

Deferred contributions represent contributions received for special purposes such as Sponsored Research & Designated Funds and Special Purpose Trust consisting of scholarships, library acquisitions and lecture funds.

	2003 $000	2002 $000
Balance, Beginning of Year	$4,537	$3,981
Contributions Received	4,702	4,260
Contributions Expended	(3,599)	(3,584)
Transferred to Endowment	(314)	(120)
Balance, End of Year	$5,326	$4,537
Balance Consists of:		
Sponsored Research & Designated Funds	$2,626	$2,366
Special Purpose Trust	2,700	2,171
	$5,326	$4,537

10. Unfunded Staff Benefits

The balance of unfunded staff benefits includes:

	2003 $000	2002 $000
Accrued Vacation Pay	$993	$970
Early Retirement Payable - Current Portion	6	13
Supplementary Pension Payable - Current Portion	80	50
	$1,079	$1,033

11. Bank Indebtedness

The University has an operating line of credit with a bank in the amount of $750,000 that is unsecured and bears interest at prime. The line of credit was not utilized at March 31, 2003 or March 31, 2002.

12. Long Term Liabilities

	2003 $000	2002 $000
Early Retirement Payable	$4	$9
Mortgage Payable	307	329
UWEHC Mortgages Payable	671	706
Supplementary Pensions Payable	602	275
	$1,584	$1,319

The mortgage payable is for Graham Hall and is payable to Canada Mortgage and Housing at 5 3/8% due April 2, 2012. The Council on Post-Secondary Education annual operating grant provides for the $40,054 annual mortgage payment.

UWEHC mortgages payable are for Balmoral Street and Spence Street properties and are payable to the Assiniboine Credit Union. The mortgage payable on the Balmoral Street properties is due August 30, 2006 and has an interest rate of 6.61%. It is repayable at $2,715 per month including principal and interest. The four individual mortgages payable on the Spence Street properties are due April 1, 2007 and have an interest rate of 6.75%. They are repayable at $2,521 per month including principal and interest.

Principal payments on the mortgages during the next five years are: 2004 - $42,500; 2005 - $44,838; 2006 - $47,751; 2007 - $357,005; 2008 - $326,708.

13. Deferred Capital Contributions

Deferred capital contributions represent the unexpended and unamortized external contributions for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the Statement of Operations.

	2003 $000	2002 $000
Balance, Beginning of Year	$45,869	$45,273
Contributions Received	1,119	1,682
Capital Asset Disposal	(104)	0
Mortgage Principal Contributions	23	22
Transfer to Revenue - Amortization	(1,134)	(1,108)
Balance, End of Year	$45,773	$45,869

14. Internally Restricted Net Assets

Internally restricted net assets balance at March 31, 2003 is $292,000 (2002 - $9,045,000).

At March 31, 2003, the pension contribution of $8,898,000 was written off as a result of an agreement reached between the University and Pension Plan stakeholders (see Notes 17 & 22).

15. Net Assets Restricted for Endowment Purposes

Endowments consist of externally and internally restricted contributions where the principal donation, as well as internal allocations by the Board of Regents, is required to be maintained in perpetuity. The investment income generated from endowments must be used in accordance with the various purposes established by the donors or the Board of Regents. The economic value of the endowments is protected by limiting the amount of investment income that may be spent to 5% of the 5 year rolling market average of the principal donation. Investment income earned in excess of this amount is added to the internally restricted endowment principal. Investment income earned that is insufficient to meet current endowment spending is supplemented from previously endowed earnings related to internally restricted endowments.

During 2002-03, the investment income required to meet current endowment spending was supplemented from the previously endowed earnings related to internally restricted endowments in the amount of $338,210 (2002 - $472,620).

2002			2001		
Externally Restricted $000	Internally Restricted $000	Total $000	Externally Restricted $000	Internally Restricted $000	Total $000
$12,266	$4,623	$16,889	$11,386	$9,113	$20,499

16. University of Winnipeg Pension Plan

The University of Winnipeg Pension Plan was established as a contributory defined benefit pension plan at September 1, 1972. The Plan is registered under the Income Tax Act and the Manitoba Pension Benefits Act (Registration #309914). A Pension Committee oversees the administration of the Plan, monitors investments and makes policy recommendations to the Board of Regents of the University. A trust company holds the assets under a trust agreement and provides daily administration of the Pension Plan. Professional investment managers administer the portfolio.

The Plan covers all eligible employees of the University of Winnipeg, except those who are members of the United Church of Canada Pension Plan. Permanent academic employees join the Plan on their date of employment. Permanent non-academic employees may elect to join on their date of employment but must join on their first anniversary date of employment.

At December 31, 2002 the fair value of the Plan's net assets was $97,595,846 (2001 - $107,312,853). Under the Plan, contributions are made by Plan members and matched by the University of Winnipeg. A member who receives benefits from the long term disability plan of the University is not required to contribute to the Plan. The annual pension payable to a defined benefit member on retirement is based on the member's final average earnings and years of credited service.

Based on a Board of Regent's resolution of December 4, 2000 and implemented by amendment #2001/1 to the Pension Plan, Plan members at December 31, 2000, who were less than age 55 at December 31, 1999, could elect to either remain in the existing contributory defined benefit pension plan or alternatively, convert their accrued benefits at December 31, 1999 to a defined contribution equivalent. This resulted in their future benefits being determined on a defined contribution basis. Approximately one-quarter of the eligible members converted to the defined contribution plan. Employees at December 31, 2000 who were not members of the Plan at that date had the ability to elect to have their future benefits determined on a defined benefit or a defined contribution basis. Employees hired after December 31, 2000 will have their future benefits determined on a defined contribution basis.

The amendment also provided for an initial surplus distribution to the members who stayed in the defined benefit segment, a full surplus distribution for those who transferred to the defined contribution segment and a mechanism to allow the University to use its share of the surplus to fund its contributions. The Board resolution also provided for the members share of the remaining surplus to be used to enhance benefits and for the establishment of a Board of Trustees to operate the Plan at arm's length from the University - these to be implemented later.

The University contributions to the Pension Plan from April 1, 2000 to March 31, 2002 were funded out of its share of the surplus in the defined benefit segment of the Pension Plan. The University resumed its contributions to the Pension Plan effective April 1, 2002.

In April 2003, the University and the stakeholders who represented the members of the defined benefit segment of the Pension Plan agreed to modify the provisions of both the Plan Amendment #2001/1 and the December 4, 2000 Board Resolution as described in Note 22.

Effective April 1, 2002, the University adopted the new accounting standard, Section 3461, of the Canadian Institute of Chartered Accountants concerning employee future benefits which includes pension, other retirement, and post-employment benefits other than pensions. The new standard moves the accounting for pension benefits to an accrual basis from the cash accounting basis previously used, and with respect to pensions, requires the use of a prescribed market rate to measure the accrued pension benefit obligation. Consistent with Section 3461, the University has exercised a three-month accelerated measurement date for financial reporting purposes. Information about the University's benefit plans is as follows:

Defined Contribution Obligation

The obligation for pension benefits under the defined contribution segment of the Plan will always be equal to the net assets in each member's account. Therefore, no surplus or deficiency arises from fluctuations in the investment market.

During 2001, Clarica Life Insurance Company (Clarica) was appointed administrator, custodian and investment manager of the defined contribution segment of the Plan and a transfer was made to Clarica of $6,654,632 in November, 2001. This amount consisted of:

i) the opening balance for each member of the defined contribution segment of the Plan as at January 1, 2000 as shown in a report on the partial conversion of the Plan from defined benefit to defined contribution, prepared by Eckler Partners Ltd. and filed with the Pension Commission of Manitoba in September, 2001;

ii) contributions made by the members since January 1, 2000 plus a matching amount of University contributions plus interest at the net rate earned by the fund during the period.

The defined contribution segment of the Pension Plan consists of:

	December 31 2002 $000	December 31 2001 $000
Balance, Beginning of Year	$7,077	$7,139
Contributions	1,103	923
Benefit Payments	(208)	(620)
Net Investment Return	(634)	(365)
Balance, End of Year	$7,338	$7,077

Defined Benefit Obligation

In accordance with the Pension Benefits Act, an actuarial valuation of the defined benefit segment of the Plan is required at least every 3 years. An actuarial valuation of the University of Winnipeg Pension Plan was prepared effective December 31, 2001 by Eckler Partners Ltd., a firm of consulting actuaries, the results of which were extrapolated by them to December 31, 2002.

The benefit obligation has been calculated pursuant to CICA Handbook 3461 using a prescribed market rate. This approach differs from the calculation of the benefit obligation in the Pension Plan Financial Statements which use an expected long term rate of return.

Change in Defined Benefit Obligation

	$000
Benefit Obligation, January 1, 2002	$94,174
Current Service Cost, Net of Employee Contributions	2,340
Interest Cost	5,817
Benefits and Refunds Paid	(4,543)
Actuarial Gain	(2,000)
Benefit Obligation, December 31, 2002	$95,788

Change in Plan Assets

	$000
Fair Value of Plan Assets, January 1, 2002	$100,098
Actual Return on Plan Assets, Net of Expense	(6,985)
Employer Contributions	757
Employee Contributions	1,022
Benefits and Refunds Paid	(4,543)
Fair Value of Plan Assets, December 31, 2002	$90,349

Reconciliation of Funded Status

	$000
Funded Status - Surplus (Deficit)	($5,439)
Employer Contributions After December 31, 2002	248
Unamortized Transitional Asset	(5,468)
Unamortized Net Actuarial Loss	11,155
Accrued Benefit Asset, Before Valuation Allowance	496
Valuation Allowance	(496)
Accrued Benefit Asset, Net of Valuation Allowance	$0

Components of Pension Expense

	$000
Current Service Cost-Employer	$1,318
Interest Cost	5,817
Expected Return on Plan Assets	(6,170)
Amortization of Transitional Asset	(456)
Increase in Valuation Allowance	496
Net Pension Expense	$1,005

Significant actuarial assumptions used in the determination of the defined benefit obligation and pension expense were:

Rate of return on investments	- pre-retirement	6.5%
	- post-retirement	6%
Rate of salary increase	- first year	2%
	- thereafter	5%

In the event that the actuarial valuation of the Plan determines that the Plan is not fully funded, the University is responsible for providing adequate funding levels in accordance with the Pension Benefits Act of Manitoba.

17. Pension Contribution Credit

The balance of the University's Pension contribution credit is calculated as follows:

	December 31 2002 $000	December 31 2001 $000
Balance, Beginning of Year	$8,898	$9,778
Interest Earned at 7%	0	633
Contribution Credit Utilized	0	(1,513)
Write Off of Pension Contribution Credit	(8,898)	0
Balance, End of Year	$0	$8,898

The Pension contribution credit was recorded as an asset of the University in March 2001. The net effect of this transaction was an increase in the Pension contribution credit of $10,349,500 and an increase in internally restricted net assets of $10,349,500.

The University's ability to utilize the benefit of the Pension contribution credit is dependent on a surplus in the Pension Plan. As disclosed in Note 16, the Pension Plan is in a deficiency position at December 31, 2002. On the recommendation of the Plan's Actuary, the University recommenced its pension contributions as provided for in the Pension Plan effective April 1, 2002.

As a result of the agreement between all of the Pension Plan stakeholders and the University as described in Note 22, the University has written off the remaining balance of the Pension contribution credit with a corresponding reduction in internally restricted net assets (Note 14).

18. Segmented Operations

Included in the excess of income over expenses in the Statement of Operations is:

	2003			2002		
	Revenue $000	**Expense $000**	**Surplus (Deficit) $000**	**Revenue $000**	**Expense $000**	**Surplus (Deficit) $000**
Collegiate	$2,760	$3,149	($389)	$2,422	$3,007	($585)
Continuing Education	$4,037	$4,196	($159)	$3,718	$3,692	$26
Campus Operations	$4,641	$4,574	$67	$4,129	$3,949	$180

19. Commitments

The University has lease obligations that cover equipment and building space integral to the University's operations. The lease obligations expire at various dates up to and including August 31, 2012. These lease contracts require annual payments over the next 5 years and in aggregate as follows:

2003/04	$1,537,362
2004/05	$1,320,415
2005/06	$803,054
2006/07	$476,818
2007/08	$399,589
Thereafter	$1,274,400
	$5,811,638

20. The University of Winnipeg Foundation

The University's Board of Regents approved the establishment of the University of Winnipeg Foundation (Foundation) in March 2003. This action provided for the following:

a) The transfer of the $14 million capital fund from the University to the Foundation in 2003-04 with all conditions of trust attached;

b) The transfer of the endowment fund from the University to the Foundation in 2004-05, on the condition that all donor trust conditions are met into the future.

The establishment of the Foundation will be based upon mutually binding agreements between the University and the Foundation.

The University has agreed to provide the Foundation with a $300,000 per annum operating grant that will be reduced by $30,000 per annum commencing in 2010-2011 and ending in 2019-2020 when the commitment will be fully utilized. Accordingly, the University is required to make annual payments over the next 5 years and in aggregate as follows:

2003/04	$300,000
2004/05	$300,000
2005/06	$300,000
2006/07	$300,000
2007/08	$300,000
Thereafter	$1,950,000
	$3,450,000

21. Contingencies

The University of Winnipeg is named as a defendant in litigations where legal action has commenced or is anticipated. While the ultimate outcomes of these proceedings can not be predicted at this time, management and its legal counsel are of the opinion that, either the outcomes will not have a material effect on the financial position of the University, or the outcomes are not determinable. No provision has been made in the financial statements in respect of these claims, as of March 31, 2003.

22. Subsequent Events - University of Winnipeg Pension Plan

In April 2003, the University and the stakeholders, who represented the members of the defined benefit segment of the Pension Plan, agreed to modify the provisions of both the Plan Amendment 2001/1 and the December 4, 2000 Board Resolution.

As a result of the downturn in investment markets that eliminated all of the undistributed portion of the surplus referred to in Plan Amendment 2001/1, an agreement was reached between the University and the Pension Plan stakeholders to forego any further implementation of the Board of Regent's resolution of December 4, 2000 amendment to the Pension Plan. This agreement provides for the following events:

a) The original agreement is revised to provide for:

   i) Elimination of the contribution credit balance and the cessation of any further distribution of surplus arising from the original agreement;

   ii) The existing parts of the agreement that were implemented remain unchanged, including pension contribution holidays, partial distribution of surplus to employees remaining in the defined benefit segment of the Plan, creation of a defined contribution segment of the Plan and the related transfer of full surplus share to those members who elected to move from the defined benefit to the defined contribution segment of the Plan.

b) The establishment of a Board of Trustees to oversee administration of the Pension Plan.

c) Required University contributions to the defined benefit segment of the Plan will be modified as follows:

   i) The University will pay both employee and University required contributions in respect of defined benefit members who are in receipt of long-term disability benefits, effective April 1, 2003;

   ii) The University's required contributions for defined benefit members will increase to 6.5% of pensionable salary less 1.8% of Canada Pension Plan contributory earnings effective April 1, 2003;

   iii) The University's required contributions for defined benefit members will increase to 7% of pensionable salary less 1.8% of Canada Pension Plan contributory earnings effective April 1, 2004;

   iv) The University will make an additional contribution of $600,000 into the defined benefit segment of the Pension Plan by no later than April 2004 or as soon thereafter as regulatory approval is secured.

d) The University will make a special payment of $638,000 direct to pensioners and active members of the defined benefit segment of the Plan as part of the final agreement.